



DOT STRATEGIC GOAL: NATIONAL SECURITY

Advance the Nation's vital security interests in support of national strategies such as the National Security Strategy and National Drug Control Strategy by ensuring that the transportation system is secure and available for defense mobility and that our borders are safe from illegal intrusion.

DOT programs impact national security through a number of common interventions and actions: direct operations (such as operating vessels and conducting law enforcement), infrastructure investment (such as more secure facilities design and materials), rulemaking (such as equipment or training standards), compliance (enforcement and partnering to achieve standards), technology (fostering new materials and technologies to enhance security), and education (such as consumer awareness, and campaigns to influence personal behavior). Some of these interventions and actions reside entirely within the Federal Government, but many involve partnering with State and local authorities and the transportation industry. DOT programs that are designed to impact our national security can be aggregated into three major areas of: highway, aviation, and maritime (including defense readiness and law enforcement).

HIGHWAY INFRASTRUCTURE INVESTMENT

The FHWA and the Military Traffic Management Command agreed to address a number of issues, which were mutually determined to be of highest priority in national defense mobility coordination. The measure of success for this goal is appropriately their level of satisfaction with the resolution of a number of factors which include the (1) Improvements of the capacity and operation of the highway system to support mobilization; (2) Increased level of

satisfaction of Department of Defense (DOD) partners with highway transportation services to support mobilization initiatives and; (3) Initiation of activities to update State Emergency Highway Traffic Regulation (EHTR) plans.

AVIATION TECHNOLOGY

FAA develops regulations, sets technical standards, inspects for compliance, investigates incidents, and provides intelligence analysis relating to aviation security. FAA also conducts airport vulnerability assessments and facility risk assessments, researches and develops aviation systems security technology, and provides enforcement activity.

The FAA works with local security, intelligence, and law enforcement agencies to protect passengers, personnel, aircraft, and critical national airspace facilities against terrorist and other criminal acts. Threats are monitored continuously and, when necessary, the FAA orders heightened precautions. As part of a massive overhaul of the U.S. aviation security system, the FAA has deployed nearly 400 trace detection devices and 62 certified explosive detection systems at airports nationwide. In addition, the number of canine teams, trained to search out hidden explosives, has grown from 87 teams at 26 airports in 1996 to 140 teams at 38 airports. In May 1998, the FAA announced that it is introducing a new computer-based tool to help airlines improve the selection and training of

employees who operate the X-ray screening checkpoints at the Nation's busiest airports. The new system will be available in up to 79 airports by year-end 1998.

Along with these initiatives, the FAA has a cadre of 130 security inspectors who oversee the movement of hazardous materials by air. Trained both in hazardous materials regulations and cargo security procedures, these agents work to prevent the transportation of dangerous goods in a manner that could jeopardize flight safety.

MARITIME OPERATION OF VESSELS

The mission of Maritime Administration (MARAD) is to build on our maritime heritage and strengthen the maritime industry for the continued security and prosperity of the Nation. MARAD advances the capability of the maritime industry to provide total logistic support to military services during war or national emergencies by maintaining an inactive National Defense Reserve Fleet, including a surge component, the Ready Reserve Force, to support emergency and national security sealift needs, undertaking emergency planning and coordination, promoting port and intermodal development; administering war risk insurance; operating the U.S. Merchant Marine Academy; and providing support to six State/Region maritime colleges.

- **Maritime Security Program (MSP)** provides funding to maintain a U.S. flag merchant fleet crewed by U.S. mariners to serve both the commercial and national security needs of the U.S. Payments are made to U.S. carriers for 47 dry cargo ships (\$2.1 million per ship per year) employed in U.S. international liner trades. This program is authorized through FY 2005, and is subject to annual appropriations. In exchange for the payment, the U.S. carrier agrees to provide Department of Defense (DOD) with "assured access" to

modern and efficient U.S. flag commercial liner ships and intermodal equipment and systems, including terminal facilities. The MSP also provides a base of experienced U.S. merchant mariners to transport DOD contingency and sustainment cargoes anywhere in the world.

MSP FINANCIAL HISTORY¹ As of October 1, 1998

FY	96	97	98	99	00	01 - 05
Requested	100	54	35.5	97.65	98.7	98.7/YR
Enacted	46	54	35.5	89.65	TBD	TBD
\$\$ Available	46	100	92.3	97.65	TBD	TBD
Payout	0	43.2	81.4	TBD	TBD	TBD
Carry Over	46	56.8	8*	TBD	TBD	0

The MSP was enacted into law in the first quarter of FY 1997. A carryover of \$46 million unobligated from FY 1996 combined with the FY 1997 appropriation of \$54 million became available to commence funding the MSP in FY 1997. For certain vessels, the commencement of MSP payments was dictated by the timing of reflagging to U.S. registry or the termination of existing Operating Differential Subsidy (ODS) contracts. Consequently, phase in of the MSP has been gradual. MARAD made MSP payments of \$81.4 million in FY 1998 and anticipates payment of \$98.3 million for FY 1999, assuming ODS transition schedules remain as anticipated. The estimated total of MSP outlays through FY 2005 will be approximately \$818 million, which is

¹ Total 10 Year Payout=Approximately \$818 million (18% under \$1.0 billion)

18 percent less than the 10 year authorized level of \$1 billion provided in the Maritime Security Act of 1996. The primary focus of the MSP is the achievement of MARAD's national security strategic goal. In addition, the mariners serving on board the MSP fleet help ensure a skilled American mariner workforce to crew U.S. ships in emergencies. MARAD is pursuing a two-pronged strategy to achieve its national security strategic goal which emphasizes provision of a relatively modest amount of Federal maritime support dollars to carefully selected carriers in order to retain "assured access" to a world-class U.S. flag intermodal sealift capability at the lowest possible cost.

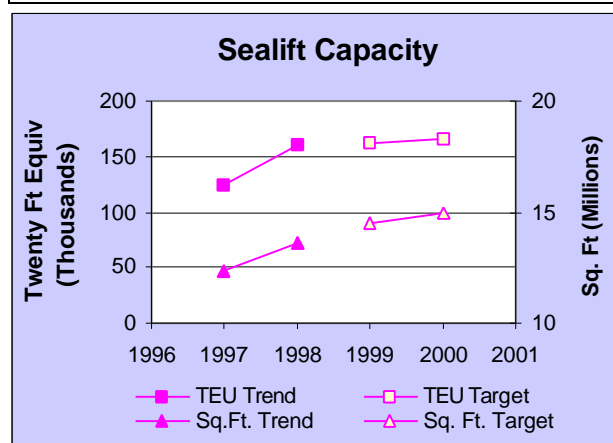
Without this capacity, the Nation's vital national military and economic interests would be compromised as it would be prohibitively expensive for the government to own sufficient shipping resources to sustain projected U.S. military operations in an emergency. In FY 1998, MARAD, in partnership with DOD's U.S. Transportation Command launched the Voluntary Intermodal Sealift Agreement (VISA) to provide a contractual mechanism for the U.S. Government to obtain assured access to commercial sealift resources during emergencies. These synergistic programs, combined with the U.S. Government's reserve sealift fleets, will ensure that sufficient resources will be available to meet DOD surge and sustainment requirements.

Performance Indicator: Increase the twenty-foot equivalent units (TEUs) capacity of ships or square feet of sealift capacity enrolled in the Maritime Security Program and Voluntary Intermodal Sealift Agreement.

1999 Goal: Capacity of 165,000 TEUs or 14.5 million square feet.

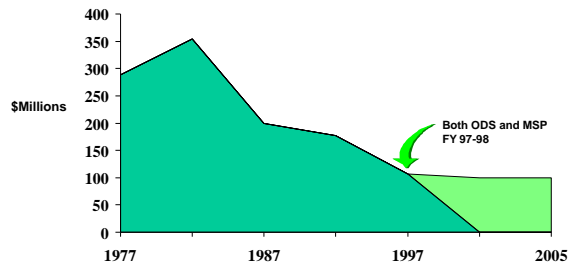
1998 Performance: Capacity of 160,852 TEUs of 13.6 million square feet.

1997 Performance: Capacity of 124,000 TEUs or 13.0 million square feet.



- Operating Differential Subsidy (ODS) Program** provides subsidies to U.S. ship operators to place U.S. flag vessels on a parity with those of foreign competitors. These are 20 year contracts between the Federal Government and subsidized vessel operators. Subsidy is provided for wages in all cases, and maintenance and repair and insurance costs in some cases. Appropriations are provided to liquidate contract authority. Payments were about \$37.7 million in FY 1998 and will continue at a declining level until FY 2003 as existing contracts expire and final accounting and contract reconciliation occur.

U.S. LINER SUPPORT ODS/MSP In Actual Dollars



Current law requires that most subsidized ships be built in U.S. shipyards. The statutory life of ODS ships is 25 years for dry cargo ships and 20 years for tankers. Currently there is 1 liner operator with 2 vessels and 3 bulk operators (7 vessels) under subsidy. The ODS program, which is the predecessor of the MSP, is being phased out as the MSP is implemented. The Federal Government's level of direct financial support to the U.S.-flag liner industry is clearly being reduced from the expiring ODS program to the new MSP program, while maintaining a core U.S.-flag liner fleet and American seafarers serving in international trade.

INACTIVE NATIONAL DEFENSE RESERVE FLEET AND READY RESERVE FORCE PROGRAMS

- National Defense Reserve Fleet (NDRF) and Ready Reserve Force (RRF) Programs'** primary focus is on the achievement of MARAD's national security strategic goal. NDRF retention ships, except the RRF component, are in a deep lay-up condition. The 220 ships in the NDRF can be activated to help meet U.S. shipping requirements during a national emergency above which the RRF and commercial fleets can satisfy. Of the 220 NDRF ships, 72 non-retention ships are being held, slated for disposal. NDRF ships are

preserved and maintained by MARAD. MARAD spends about \$287 million annually to maintain the NDRF, which is valued at \$894 million. The NDRF ships are primarily cargo ships and tankers.

- Ready Reserve Force (RRF)** was established in 1976, as a subset of the NDRF. Of the 220 ships currently in the NDRF, 91 are RRF ships. RRF ships are upgraded and maintained to be fully operational and tendered to the DOD within 4 to 30 days after notification.

RRF	FY 1998 Actual	FY 1999 Goal
# of Sea Trials	57	62
# of Ships	91	91
Funding ¹	\$310	\$271.4

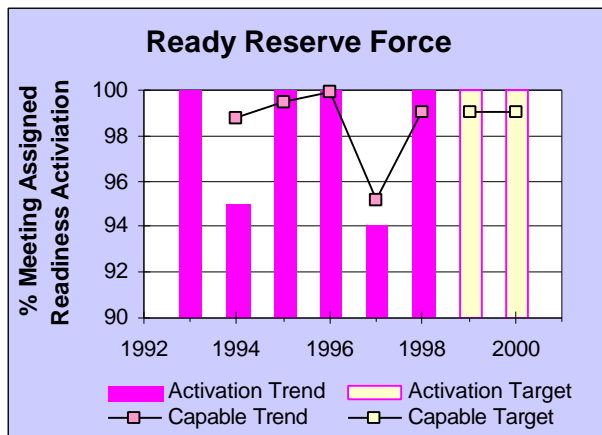
¹ (Dollars in Millions)

The RRF is composed of special types of cargo ships, not available on short notice from the commercial fleet. The RRF is structured to transport Army and Marine Corps unit equipment and initial resupply for armed forces deploying anywhere in the world during the critical initial period before adequate numbers of commercial ships can be obtained.

All RRF vessels must have both a high degree of military utility and a significant remaining useful life. MARAD contracts with commercial U.S. ship managers for maintenance and repair, activation, manning, and operation of the RRF. The readiness of the RRF program is tested regularly

through non-notice activation of randomly selected ships, or through scheduled activation for military cargo operations or exercises. The first large-scale activation of the RRF was to support Operation Desert Shield/Desert Storm. This activation led to renewed interest in the importance of the RRF program to the national military strategy and resulted in additional funding for maintenance and testing, as well as, for the use of Reduced Operating Status (ROS) merchant crews on high priority ships to further elevate their state of readiness.

The NDRF/RRF program is currently funded by DOD through the National Defense Sealift Trust Fund. MARAD and DOD have established excellent financial management relations to ensure DOD requirements are met at the best cost possible.



Performance Indicators: Provide reserve strategic sealift resources to meet DOD surge and other National security requirements by:

- (1) Percentage of Ready Reserve Force non-notice activations which meet assigned readiness activation, and
- (2) Percent of days each ship is mission-capable while under DOD control.

1999 Goal: (1) 100 percent
(2) 99 percent

1998 Performance: (1) 100 percent
(2) 98.8 percent

1996 Performance: (1) 100 percent
(2) 99.9 percent

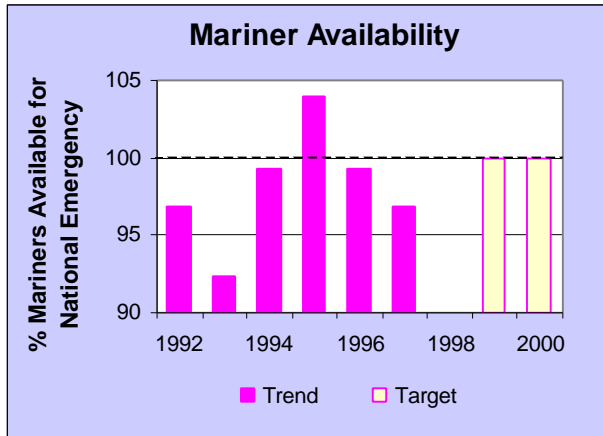
USCG DEFENSE READINESS PROGRAM

- **USCG Defense Readiness Program** provides unique capabilities for national defense that does not duplicate the other armed forces. By statute, the USCG may become a part of the Department of the Navy upon the declaration of war by the Congress. In FY 1997, the USCG received approximately \$300 million from the DOD budget for this mission. Activities include joint exercises with the Navy, port security, and training and assisting the Navy with overseas deployments such as the Gulf War.

USCG is a multi-missioned maritime service and one of the Nation's five Armed Forces. Unlike the other military services, the USCG does not concentrate primarily on the role of national defense. Drawing upon its other missions, the USCG must have operating units with the combat capability necessary to function as an armed force.

Maritime Education and Training

MARAD provides world-class maritime education and training at the U.S. Merchant Marine Academy at Kings Point, NY and provides Federal support for six State/Region maritime academies through direct payments to the schools, incentive payments to cadets and maintenance and repair of ships provided to the schools as primary training aids. Support for the education and training of U.S. citizen seafarers helps to meet MARAD's national security strategic goal by ensuring that American mariners with appropriate skills are available to crew commercial and government-owned cargo ships in times of national emergencies.



Performance Indicator: Increase the percentage of mariners available compared to mariners needed to crew combined sealift and commercial fleets during national emergencies.

FY 1999 Goal: 100 percent

FY 1997 Performance: 96.9 percent

War Risk Insurance Fund (WRIF) Program

- War Risk Insurance Fund (WRIF) Program** encourages continued flow of U.S. foreign commerce during periods when commercial insurance cannot be obtained on reasonable terms and conditions to protect vessel operators and seamen against losses resulting from war. This program offers the advantage of avoiding the high rates charged by commercial insurers, which DOD or other Federal agencies would have to pay when chartering or hiring shipping into certain areas. During the Operation Desert Shield/Desert Storm of 1990-1991, MARAD's Title XII War Risk Insurance Program saved the U.S. Government in excess of \$436 million in higher cost commercial insurance premiums. To provide higher readiness to meet emergency requirements, MARAD also administers a stand-by War Risk Insurance Fund Program. As of September 30, 1998, there were 267 binders on vessels and barges providing eligibility for hull protection and indemnity and Second Seamen's war risk insurance. One new assured received six binders during FY 1998. The WRIF total available funding was approximately \$29.0 million. During FY 1998, \$1.4 million in investment income and had a total expense of about \$58 thousand.

Enforcement of Laws and Treaties Program

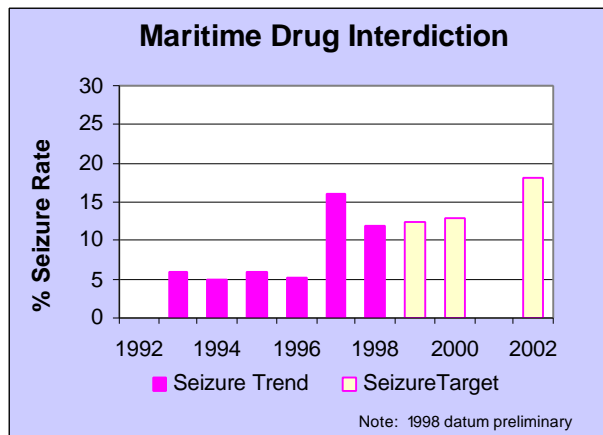
- Enforcement of Laws and Treaties Program** involves enforcement of all Federal laws on the highseas subject to U.S. jurisdiction and on U.S. flag vessels anywhere in the world. USCG vessels and aircraft interdict drug

smugglers and illegal immigrants and enforce U.S. fisheries regulations. In 1997 alone, the USCG intercepted 2,100 illegal migrants and interdicted 205,000 pounds of illegal drugs.

USCG DRUG SMUGGLERS INTERDICTIONS

The USCG works with other Federal departments and agencies, including the Departments of Commerce, Justice, Treasury and Defense in carrying out this program. Of particular interest are three bases in the Caribbean, which the USCG operates, with the Drug Enforcement Agency (DEA) and the Bahamian Government. These bases, jointly known as Operation Bahamas, Turks and Caicos (OPBAT), are manned by USCG personnel. The OPBAT mission is to capture and arrest drug smugglers.

In FY 1998, the USCG and the other agencies involved in the war against drugs mounted two major operations: Operation Gulf Shield and Operation Border Shield. These two operations involved saturating two areas off the Texas and California shores with air, shore and surface assets. So far these operations proved to be extremely successful. Also, in August 1998, the USCG acting in concert with the Customs service seized 5,149 tons of cocaine from the Motor vessel ISANAR.



Performance Indicator: Increase the seizure rate for illegal drugs.

2002 Goal: 18 percent

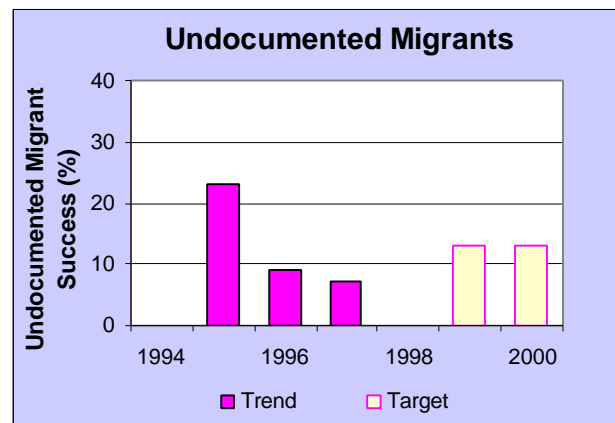
2000 Goal: 13 percent

1999 Goal: 12.5 percent

1995-97 Performance: 8.7 percent

USCG ILLEGAL IMMIGRANTS INTERCEPTIONS

The USCG intercepts illegal immigrants off the U.S. coastal waters. In 1997 alone, they intercepted 2,100 illegal migrants. Undocumented migrant success rate is equal to the estimated number of illegal migrants entering the U.S. via maritime channels divided by the number of potentially bound for the U.S. via same channels.



Performance Indicators: Restrain the flow of undocumented migrants by reducing the success rate.

1999 Goal: 13 percent

1995 Performance: 23 percent